



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 21, 2000

H.R. 4850 **Veterans Benefits Act of 2000**

As ordered reported by the House Committee on Veterans' Affairs on July 20, 2000

SUMMARY

H.R. 4850 contains provisions that would affect a range of veterans' programs, including life insurance, disability compensation, and dependency and indemnity compensation. CBO estimates that enacting the bill would increase direct spending by about \$1 million in 2001, \$6 million over the 2001-2005 period, and \$17 million over the 2001-2010 period.

The bill also would increase the amounts paid to veterans for disability compensation and to their survivors for dependency and indemnity compensation by the same cost-of-living adjustment (COLA) payable to Social Security recipients. Because the COLA authorized by this bill is assumed in the budget resolution baseline, the bill would have no budgetary effect relative to the baseline. Relative to current law, CBO estimates that enacting this bill would increase spending for these programs by about \$349 million in 2001 and \$465 million a year thereafter.

Because H.R. 4850 would affect direct spending, pay-as-you-go procedures would apply. H.R. 4850 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4850 is shown in the following table. The costs of the bill fall within budget function 700 (veterans benefits and services).

	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	2005
DIRECT SPENDING						
Spending Under Current Law for Disability Compensation						
Estimated Budget Authority	18,893	19,801	20,577	21,279	21,960	24,447
Estimated Outlays	18,816	19,719	20,505	21,215	21,898	24,377
Proposed Changes						
Estimated Budget Authority	0	1	1	1	1	2
Estimated Outlays	0	1	1	1	1	2
Spending Under H.R. 4850 for Disability Compensation						
Estimated Budget Authority	18,893	19,802	20,578	21,280	21,961	24,449
Estimated Outlays	18,816	19,720	20,506	21,216	21,899	24,379

Direct Spending

The bill has four provisions that would affect direct spending.

Cost of Living Adjustment. Section 101 would increase the amounts paid to veterans for disability compensation and to their survivors for dependency and indemnity compensation by the same COLA payable to Social Security recipients. The increase would take effect on December 1, 2000, and the results of the adjustment would be rounded to the next lower dollar.

The COLA that would be authorized by this bill is assumed in the budget resolution baseline, pursuant to section 257 of the Balanced Budget and Emergency Deficit Control Act, and savings from rounding it down were achieved by the Balanced Budget Act of 1997 (Public Law 105-33). As a result, the bill would have no budgetary effect relative to the baseline. Relative to current law, CBO estimates that enacting this bill would increase spending for these programs by about \$349 million in 2001 and \$465 million a year thereafter. This estimate assumes that the COLA effective on December 1, 2000, would be 2.4 percent.

Disability Benefits for Certain Members of the Reserves. Section 201 would extend eligibility for certain veterans' benefits to members of the National Guard and the other reserve components if they suffer a stroke or heart attack during inactive-duty training. (Inactive-duty training generally means the training reservists and guardsmen do on

weekends.) Under current law, guardsmen and reservists who sustain an injury during inactive-duty training are eligible for certain veterans' benefits. They are not eligible, however, to receive disability compensation for a disease condition that is incurred or aggravated during such training. H.R. 4850 would require the Department of Veterans Affairs (VA) to treat claims for strokes or heart attacks that occur during inactive-duty training, or during travel to and from training duty, as if it were an injury. Reservists or guardsmen who suffer one of those conditions would become eligible for various veterans' benefits and services. Their survivors would also become eligible for benefits. CBO estimates that added annual costs for veterans' entitlements, mainly disability compensation, would be less than \$500,000 initially and would gradually grow to about \$2 million by 2010.

Information about the incidence of heart attack or stroke during inactive-duty training is limited. Based on data from the Department of Defense (DoD), CBO estimates that each year about 10 members of the reserve components would meet the requirements for benefits under the bill and that about 200 individuals would be eligible at the start of 2000. CBO assumes that one-fourth of the initial 200 potential beneficiaries would apply and receive benefits. We expect that participation would be limited for that group for two reasons. First, many of those veterans would not apply because they would not become aware of any change in benefits. (Participation among newly eligible beneficiaries in the future would be nearly 100 percent.) Second, CBO believes that about 30 percent of the individuals covered by the bill already receive disability benefits from DoD and would be precluded under current law from receiving the VA benefit concurrently. Because CBO expects that their annuity from DoD would exceed the benefit from VA, CBO does not estimate an additional cost for those people.

CBO estimates that 23 to 43 survivors would receive a benefit each year over the 2001-2010 period, assuming participation rates are similar to those for veterans. Survivors at the time of enactment would participate at a lower rate than survivors in later years.

Based on data from VA, CBO estimates that the average disability payment under the bill for a veteran would be about \$8,000 a year and that the average benefit for a survivor would be about \$12,000. Both benefits are assumed to increase by an annual cost-of-living adjustment.

Compensation Related to Radical Mastectomy. Section 202 would provide additional disability compensation to veterans who suffer a service-connected loss of one or both breasts due to a mastectomy. Under current law, veterans who lose certain body parts or sensory or vocal capabilities because of a service-connected condition are entitled to special monthly compensation of \$76 a month in 2000 for each eligible impairment. (Current law does not provide an automatic annual cost-of-living adjustment. However, one is usually provided in legislation each year, and current law calls for CBO to assume an adjustment to

the baseline. Consequently, CBO assumes an annual adjustment for purposes of this estimate.) H.R. 4850 would authorize these special payments for veterans who have lost one or both breasts due to a radical or modified radical mastectomy that is related to a service-connected condition.

CBO estimates that about 350 veterans are currently receiving disability payments for these type of mastectomies, and based on data from VA, about 35 new beneficiaries are added every year. Over the 2001-2004 period, the new payments would cost less than \$500,000 annually. From 2005 through 2010, annual spending would be over \$500,000 but less than \$1 million.

Servicemembers' Group Life Insurance. All individuals on active duty and members of the National Guard and Selected Reserve are currently eligible for Servicemembers' Group Life Insurance (SGLI). Enrolled service members pay a monthly premium and can opt for coverage up to \$200,000. Once servicemembers leave the service, they may continue coverage under the Veterans' Group Life Insurance program. Section 301 would extend eligibility for SGLI to certain members of the Individual Ready Reserve (IRR).

Under current law, the Department of Defense may offer members of the IRR the option to be placed in a mobilization category that makes them eligible to be called to active duty. Veterans can remain in this category for up to two years from the date they left the service. According to information from DoD, about 200 people are in this mobilization category at any one time. H.R. 4850 would make the veterans in this mobilization category eligible for life insurance under the SGLI program. Based on expected mortality among individuals in this group and the current size of the program, CBO estimates that the cost of this provision would be less than \$500,000 a year.

Spending Subject to Appropriation

Veterans who have service-connected disabilities are also eligible to enroll with a relatively high priority for medical care from VA. Section 201 would increase the number of veterans eligible for such a priority. Because the number of veterans affected by section 201 is small, and not all of them would seek medical care from VA, CBO estimates that the costs to VA for the added medical care would be insignificant.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in outlays	1	1	1	1	2	2	2	2	2	2
Changes in receipts	Not applicable									

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4850 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

CBO prepared estimates for three bills that contain provisions that are similar or identical to provisions in H.R. 4850. On June 23, 2000, CBO prepared a cost estimate for H.R. 4131, which contained a provision on COLAs comparable to section 101. On April 27, 2000, CBO prepared a cost estimate for H.R. 3816, which contained a provision on benefits for reservists who suffer a stroke or heart attack during inactive-duty training comparable to section 201 of H.R. 4850. On April 3, 2000, CBO prepared a cost estimate for H.R. 3998, which contained a provision for compensation for a service-connected loss for one or both breasts comparable to section 202 of H.R. 4850. The estimated costs of those three bills and the corresponding sections of H.R. 4850 are the same.

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